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# Community Foundations and Community Leadership

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## COMMUNITY FOUNDATIONS AND COMMUNITY LEADERSHIP

*The thesis of this paper is that there is a very real opportunity, arising from both societal and market pressures, to elevate community leadership as a moral and market imperative for community foundations.*

*It was first used to stimulate conversation at an Advanced Practice Institute (API) on Community Leadership at the Council on Foundations' 2007 Annual Meeting. Readers were advised that CFLeads' would conduct additional reconnaissance following the conference to inform subsequent drafts. Feedback to date suggests that the paper should not be expanded, but rather become the first in a series of papers that addresses what community leadership means in a community foundation context: how it is practiced, how it is measured, how it is institutionalized, and what field level activity will accelerate progress.*

*This paper draws upon the collective experience of CFLeads' staff and board members. Michael Howe, co-chair of CFLeads' board, was the source of many of the ideas that informed this paper's development. Readers are encouraged to copy and share the paper freely, provided proper attribution is made to the author and organization.*

### **The Moral Imperative**

On any day, in any community in America, there is much to celebrate. Pockets of progress dot the landscape, and successful efforts to broaden opportunity and expand prosperity are sources of justifiable pride. At the same time, every community faces new challenges as a result of globalization and changing demographics, and every community has issues which persistently defy solution.

Large cities and small towns alike are struggling to reinvent their economies. The gap between

rich and poor has been expanding for almost a generation. The middle class is shrinking. Upward mobility has stalled. The melting pot is no longer an apt analogy for many recent immigrants who retain close ties to their countries of origin. There are no easy answers to problems that have been generations in the making.

Against a backdrop of expanding authority and diminishing resources, many states and communities are engaged in a "race to the bottom" as social safety nets unravel. At the same time, the erosion of trust in our public officials and institutions, the loss of forums for public discourse, and increasing socioeconomic stratification and isolation have diminished our community problem-solving capabilities. Political discourse is increasingly shrill and strident. Globalization has dispersed the cadre of civic leaders who, for good or ill, previously came together in times of crisis. Sprawl, gated communities, and limited public transit options have increased social isolation. The public square has all but vanished and, too often, the voice of reason has been muted.

### **Community Foundation Potential**

Community foundations have the reach and the relationships to create a more inclusive social compact. They can nurture a new generation of leaders who reflect emerging demographic realities while bridging historical race and class divides. They are capable of stemming the rush to judgment by providing a forum to engage communities in a thoughtful exploration of critical issues and assembling the resources to implement solutions. At their best, community foundations:

- cross sectors with ease;
- understand the local landscape from the top down, as well as the bottom up;

<sup>1</sup> Formerly the Coalition of Community Foundations for Youth (CCFY).

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- have ready access to the corridors of power;
- respect and tap the wisdom that resides in every corner of their communities;
- are experienced, even-handed conveners and mediators;
- amplify the voices of the disenfranchised;
- have the ability to contribute and leverage resources;
- are comfortable in the public policy arena and interact with all branches as well as different levels of government;
- take principled stands on issues of consequence to community well being; and
- are part of the local accountability system.

The time is ripe for community foundations to realize this extraordinary potential.

### The Market Imperative

Thoughtful people inside and outside of philanthropy posit that community foundations risk irrelevance if they fail to hone their community leadership skills. “On the Brink of New Promise: The Future of U. S. Community Foundations,”<sup>2</sup> debuted at the Council on Foundations’ 2005 Fall Conference for Community Foundations and has been generating ripple effects ever since. The study suggests that, in light of competitive pressures from the financial services sector and rapidly evolving technology that connects donors directly and instantaneously to organizations and causes, prudence dictates that community foundations “define and act on their distinctive value to their communities.”<sup>3</sup>

The authors contend that three shifts must occur for community foundations to flourish in the changing philanthropic environment:

- “a shift in focus from the institution to the community;
- a shift from managing financial assets to long-term leadership; and
- a shift from competitive independence to coordinated impact.”<sup>4</sup>

These shifts are seismic. While leadership has always been part of community foundation rhetoric, it runs a distant second to asset acquisition. Most community foundations keep score on the basis of assets, even those with a distinguished track record of leadership. This is not surprising in a culture where the primary measure of status is wealth. Moreover, assets are easy to measure while community leadership is not. To remain competitive in the new philanthropic environment, however, community foundations must demonstrate a benefit that is tied to a larger vision than other giving vehicles can realize. That larger vision is community leadership.

In addition to external threats, community foundations are coming to terms with fissures in their own business models. Three studies<sup>5</sup> in 2003 and a 2005 survey of community foundation CEOs and CFOs<sup>6</sup>, all commissioned by the Community Foundations Leadership Team (CFLT), conclude that community foundation sustainability is not simply a matter of growth in assets. The survey results suggest that the frequency of budget deficits increases until a community foundation has crossed the \$250 million threshold. The research also

2 Bernholz, L., Fulton, K. and Kasper, G., “On the Brink of New Promise: The Future of U.S. Community Foundations,” (Blueprint Research & Design and Monitor Company Group, LLP, 2005).

3 Id., Introduction (not paginated).

4 Id. at 35.

5 “Strengthening Community Foundations: Redefining the Opportunities” (Foundation Strategy Group, LLC, October 2003).

6 February 2005 survey with 246 respondents, commissioned by Community Foundations Leadership Team (conducted by Foundation Strategy Group, LLC).

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revealed that the highest growth products, scholarships and donor advised funds, are both the most costly and the most heavily subsidized. Moreover, absent from the business models studied was consideration of the alignment between community foundation subsidies and community foundations' missions and values. While this may simply be a function of a failure to analyze subsidies in a broader organizational context, it is nonetheless a sin of omission that merits attention.

The case for community leadership was alluded to in the CFLT-sponsored research but made more forcefully in a July 7, 2005 webcast<sup>7</sup> that drew upon the same data. A key point in the CFLT studies was that the higher the interaction with a donor, the more likely it is that the foundation will receive a bequest. The webcast elaborated on this by stating that "more involved donors want opportunities for leadership and the ability to set a larger agenda."<sup>8</sup> The webcast concluded that community leadership is likely to become the primary source of differentiation for community foundations, and that the competitive edge of community foundations lies in their ability to:

- engage donors in their work
- achieve impact in their community
- create value in ways that only community foundations are positioned to achieve.<sup>9</sup>

Of the three value propositions offered for community foundations, only community leadership ranked "high" in terms of comparative advantage.<sup>10</sup>

### The Leadership Challenge

COMMUNITY LEADERSHIP DERAILED. The dot.com phenomenon and the bull market of the

'90s fueled explosive growth in donor-advised funds and exacerbated a growing divide in the community foundation field. In one camp were community foundations that professed to serve donors first, and in the other those that professed to serve their communities first. The debate was disingenuous – and not only because both sides played both sides. The choice has never been "either or." The challenge, particularly as competition sharpens, is how to do "both and." Community foundations have always been dual purpose organizations. The potential of community foundations to differentiate themselves in the philanthropic marketplace and to become effective change agents hinges on their ability to do more than resolve tensions between real or perceived competing interests. It requires systematic and systemic efforts to create synergy among the many functions community foundations perform and the many roles they play.

AD HOC LEADERSHIP. There is an abundance of evidence that community foundations, perhaps even a majority of them, engage in community leadership from time to time. What is remarkable is the lack of acknowledgement of this activity on the part of community foundations, almost as if community leadership were a subconscious reflex. This may, in fact, be a plausible explanation – that the exercise of community leadership by community foundations is largely reactive and opportunistic. In other words, community leadership is exercised on an episodic basis for purely idiosyncratic reasons, such as:

- a board member sits on a state commission on early care and education;
- a donor is a foster parent;
- a staff member has a background in economic development; or

7 "The Future of Community Foundations: the Next Decade," John S. and James L. Knight Foundation Webcast, July 7, 2005 (prepared by Foundation Strategy Group, LLC).

8 Id., PowerPoint at 13.

9 Id., PowerPoint at 22.

10 Id., PowerPoint at 8.

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- a private foundation is seeking a local partner on high school reform.

An ad hoc approach to community leadership may produce an enormous, if occasional, benefit to the community. It may even produce an incidental benefit to the community foundation in terms of heightened visibility. It is nonetheless troubling for several reasons.

From an organizational standpoint, it is inefficient. From a market differentiation standpoint, it is ineffective. Backing into community leadership almost guarantees that it does not become part of the sinew of the organization. Each new problem is simply that: a new problem to be approached with a clean slate. There is no framework for analyzing options and ensuring that the latent capacities of community foundations are fully activated. Without intentionality, community leadership will remain an ad hoc enterprise and the learning it generates will reside solely in the individual actors who exercise it. It will never be institutionalized, much less become an institutional hallmark.

**LEADING FROM A VALUES BASE.** Another challenge with purely opportunistic community leadership is that it has no bearings, rather like the old adage, “if you don’t know where you’re going, any path will take you there.” Values are the touchstones that provide clarity of purpose and direction. They provide guidance when determining what leadership issues to address and what roles to play. When called upon to do the impossible, values provide a principled basis for accepting or declining. They are a threshold issue in establishing trust. Values will enable community foundations to persist in the face of adversity and to weather defeat. Without values,

community foundations cannot withstand the tests that leadership will pose.

Internally, clearly articulated values create the common ground on which to mediate conflicts between the business interests of community foundations and the leadership stands of community foundations. They are a tool with which to align the disparate functions community foundations perform and to use in marshaling the foundation’s human, social, and political capital to address leadership priorities. Values put prospective board and staff members “on notice” about the fundamental nature of the organization, and create expectations about interactions among staff and with external constituencies.

Being opportunistic and being values based are not invariably at odds, however. When public interest in an issue is high, whether prompted by good- or mis- fortune, it is ripe for action and progress can be accelerated. Knowing when to act can be as important as knowing what action to take. Because community foundations have their fingers on the pulse of their communities, they should remain sufficiently agile and open minded to capture the advantage ripe opportunities offer without sacrificing either their values or staying power.

**PRACTICALLY SPEAKING.** There are few guideposts for community foundations that want to be intentional about building their skills and aligning their organizations for community leadership. Part of the challenge is providing structure and language to what have been essentially “make it up as you go” exercises of leadership. There is a framework<sup>11</sup> extrapolated from a two-year executive education program for teams from ten community foundations that may provide a useful point of departure:

11 Hamilton, R., Parzen, J. and Brown, P, Chapin Hall Discussion Paper, “Community Change Makers: The Leadership Roles of Community Foundations,” Chapin Hall Center for Children at the University of Chicago (May 2004). This publication was based upon the work of ten community foundations that participated in a two-year executive education program codesigned by Chapin Hall and CFLeads, formerly CCFY. “Community Change Makers” was cited with approval in “On the Brink” as providing a useful framework for categorizing community leadership roles (pp. 38-39).

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- Contributing Ideas and Information (building useful knowledge/shaping community discourse)
- Fostering Strategic Connections (growing and linking local leadership/brokering regional solutions)
- Expanding Resources Devoted to Change (maximizing access to government resources/nurturing high-impact philanthropists)
- Leveraging Systems Change (collaborating for local systems reform/advocating and partnering for policy solutions)
- Promoting Performance (enhancing community capacity and strengthening accountability)
- Internal Readiness for External Leadership (clarifying mission and strategy, aligning the organization, building a board for leadership).

While this framework may not be the final answer, it suggests some of the right questions.

Although there is every indication that community foundations are interested in building their leadership capacity, for all but the most stalwart it will require support. Community foundations need ways to learn with and from each other because, despite their many differences, they are anatomically similar institutions. Thus, the relevant knowledge base is not generic community leadership, but rather community leadership as *it is practiced by community foundations*. This is not a modest undertaking. It will require a level of discipline, intentionality, and investment comparable to what the field has devoted to marketing, communications, and the creation of National Standards.

**A WORD ABOUT PUBLIC POLICY.** Public policies, public resources, and public systems have a dramatic impact on the lives of the most

vulnerable in our society, those least likely to have a meaningful voice in decisions that profoundly affect their lives. More often than not, the public sector is the de facto sustainability and “go to scale” strategy on philanthropic initiatives. In many instances, donors’ larger aspirations cannot be achieved, nor their investments protected, without attending to public policy and public resource allocation.

Community foundations that are serious about community leadership must be conversant with public policy. What community foundations need to know goes considerably beyond “do’s and don’ts.” It involves:

- foundation program design and funding decisions made with an understanding of the relevant public policy environment and public resources that are or could be directed to achieve foundation priorities;
- the foundation actively cultivating relationships with public officials in the executive, legislative, and judicial branches of government;
- the foundation, its board, and its donors taking stands and working behind the scenes on public policies and public revenue issues critical to community well being; and
- the foundation funding and otherwise supporting advocacy and self-determination efforts by underrepresented segments of the community.

Hundreds of community foundations have had brushes with public policy, but few consider these encounters more than isolated instances of problem solving. It is time to acknowledge that this is part of the community leadership skill set. While the appetite for engaging in public policy will vary, it is the 800 pound gorilla of social change and community foundations ignore it at their peril.

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**CONCLUSION*****No Matter What the Question is,  
the Answer is Community Leadership***

Community foundations are at a crossroads. From a sustainability standpoint, it is becoming apparent that bigger is not necessarily better. The philanthropic marketplace is expanding at a dizzying pace and survival likely depends upon distinguishing community foundations from the swelling ranks of their competitors. At the same time, evidence is mounting that the one thing community foundations can be the “best in world at”<sup>12</sup> is community leadership. For many, community leadership also answers the question “what are you deeply passionate about?”<sup>13</sup> As new revenue models factor in community leadership as a core function, it too may answer the question “what drives your economic engine?”<sup>14</sup> The community foundation field has matured sufficiently that it is capable of rising to the challenge of making community leadership a field priority and core competency. In doing so, it may well change the face of philanthropy and fundamentally improve the quality of community and civic life.

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*This publication is a joint project of CFLeads and the Community Foundations Leadership Team of the Council on Foundations. The opinions are those of the author.*

12 Collins, Jim, “Good to Great – Why Some Companies Make the Leap ... and Others Don’t,” 2001 (New York: HarperBusiness); “Good to Great and the Social Sectors: A Monograph to Accompany Good to Great,” 2005 (New York: HarperCollins).

13 Id.

14 Id.

“Community Foundations and Community Leadership” is available online at [www.CFLeads.org](http://www.CFLeads.org).

